

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 260298

E.O. 11652: GDS

AGS: CG, EFON

SUBJECT: ZAIRE RECOVERY PROGRAM: FINANCE MINISTER IN
WASHINGTON

1. ZAIRIAN FINANCE COMMISSIONER BOFOSSA CALLED ON AF
DEPUTY ASSISTANT SECRETARY BOLEN OCTOBER 19 TO REVIEW
DEVELOPMENTS IN ZAIRE RECOVERY PROGRAM, WITH SPECIFIC
EMPHASIS ON ZAIRIAN CONSULTATIONS WITH IBRD AND IMF
OFFICIALS IN MANILA. CALL WAS FOLLOW-UP TO HIS MEETING
WITH DEPUTY SECRETARY ROBINSON, PRIOR TO MANILA IBRD/IMF
CONFERENCE. BOFOSSA HAD PROMISED TO RETURN TO WASHINGTON
TO BRIEF DEPARTMENT OFFICIALS ON ZAIRIAN APPROACH TO
BANK GROUP FOR ASSISTANCE/CONSULTATION ZAIRIAN FINANCIAL
PROBLEMS.

2. COMMISSIONER BOFOSSA STARTED OFF BY REVIEWING
DISCUSSION DURING HIS LAST VISIT TO WASHINGTON WITH
EMPHASIS ON GOZ DETERMINATION TO PURSUE STABILIZATION
PROGRAM AND ASSOCIATED BUDGET AND DEBT MANAGEMENT
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POLICIES, NEED FOR EXTERNAL ASSISTANCE, AND GOZ AWARENESS

THAT LONG TERM DEVELOPMENT NEEDS MUST BE ADDRESSED AS WELL AS SHORT-TERM BALANCE OF PAYMENTS PROBLEM. HE REAFFIRMED GOZ CONVICTION THAT MULTILATERAL SOLUTIONS

NEEDED FOR ZAIRE'S PROBLEMS AND THAT ZAIRIAN DELEGATION HAD GONE TO MANILA FOR PURPOSE OF DISCUSSING SITUATION WITH MCNAMARA AND BANK OFFICIALS WITH THAT PERSPECTIVE.

3. ACCORDING TO BOFOSSA, MEETINGS WITH MCNAMARA AND BANK OFFICIALS WERE VERY SUCCESSFUL. MCNAMARA, IN VERY LONG MEETING, WAS MOST UNDERSTANDING, PARTICULARLY REGARDING ZAIRIAN DETERMINATION TO REORGANIZE MANAGEMENT OF ECONOMY. BANK OFFICIALS EXPRESSED APPRECIATION FOR ZAIRIAN DELEGATION'S FRANKNESS AND RECOGNITION OF GOZ'S EFFORTS TO DATE. SPECIFIC ITEMS COVERED WITH BANK OFFICIALS WERE:

A. MCNAMARA PARTICULARLY INTERESTED IN LONG-TERM DEVELOPMENT PROGRAM, AND OFFERED TECHNICAL ASSISTANCE. (BOFOSSA REPLIED TO QUESTION BY SAYING THAT BANK-PROVIDED PERUVIAN PLANNING EXPERT ALREADY HAS ARRIVED IN KINSHASA.)

B. ZAIRIANS EXPLAINED OBJECTIVES OF NEW EXTERNAL DEBT MANAGEMENT AGENCY WHICH WOULD BE RESPONSIBLE FOR (1) TECHNICAL ROLE OF EXPLORING SOURCES OF NEW AID AND MANAGEMENT OF DEBT AND (2) MAKING POLICY RECOMMENDATIONS TO FINANCE DEPARTMENT. GOZ REQUESTED IN WRITING TECHNICAL ASSISTANCE AND RECEIVED PROMISE OF SAME. (BOFOSSA REPLIED TO QUESTION ABOUT TECHNICAL ASSISTANCE BY DESCRIBING BANK RECOMMENDED FRENCH EXPERT WHO HELPED CREATE SIMILAR DEBT MANAGEMENT AGENCY IN IVORY COAST. GOZ ALREADY IN TOUCH WITH THIS MAN.)

C. ZAIRIANS RAISED SUBJECT OF CONSULTATIVE GROUP. MCNAMARA AGREED TO RECONVENE IT, AND TENTATIVE TIMING SET FOR FEBRUARY. BOFOSSA EXPLAINED HIS VIEW THAT CONSULTATIVE GROUP WILL PROVIDE OPPORTUNITY FOR GOZ AND FRIENDS TO REAFFIRM BASIC OPTIMISM IN ZAIRIAN ECONOMY AND TO DEFINE FINANCIAL NEEDS.
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D. ALL OF ABOVE WERE CONFIRMED IN EX-CHANGE OF LETTERS BETWEEN GOZ AND IBRD. BOFOSSA TOLD 'S WITH SATISFACTION THAT AS RESULT MANILA TALKS, BANK EXPRESSED WILLINGNESS TO CONTINUE WITH DEVELOPMENT PROJECTS, E.G. PALM OIL PROJECT IN EQUATEUR REGION, IFC WILLING REOPEN FILE ON VARIOUS PROJECTS.

4. ZAIRIANS REFERRED TO NEW INGA-SHABA POWER PROJECT LOAN AND THEIR PREVIOUS DISCUSSIONS WITH EXIMBANK, AND EXPRESSED APPRECIATION THAT COMPROMISE AGREEMENT FINALLY REACHED.

5. TURNING TO PRIVATE DEBT SITUATION, BOFOSSA REVIEWED DEVELOPMENTS IN GOZ NEGOTIATIONS WITH PRIVATE BANKS. CENTRAL BANK GOVERNOR SAMBWA IS PRESENTLY IN NEW YORK AWAITING OCTOBER 21 MEETING. ZAIRIANS OPTIMISTIC THAT AGREEMENT WILL BE CONCLUDED IN NEXT MEETING WITH PRIVATE BANKERS, TENTATIVELY SET FOR MID-NOVEMBER IN LONDON. AMBASSADOR BOLEN MENTIONED THAT SEVERAL PRIVATE PROPOSALS WERE APPARENTLY UNDER CONSIDERATION AND ASKED ABOUT GOZ THINKING. BOFOSSA REPLIED THAT GOZ HAD ORIGINALLY MADE PROPOSAL TO BANKERS ALONG LINES OF PARIS CLUB AGREEMENT, BUT SOMEWHAT MORE GENEROUS (SPECIFICALLY, THREE TO FIVE YEARS GRACE PERIOD TO AVOID BUNCHING DEBT REPAYMENTS IN 1978.) SAMBWA EXPECTS COUNTER-PROPOSALS FROM BANKS WHICH SHOULD FORM BASIS FOR AGREEMENT IN NOVEMBER.

6. IN RESPECT TO PUBLIC DEBT SITUATION, BOFOSSA SAID THAT BILATERAL AGREEMENT ALREADY SIGNED WITH BELGIUM, BILATERAL WITH FRANCE WOULD BE SIGNED END OF OCTOBER, AND NEGOTIATIONS WITH ITALY WOULD BE HELD IN KINSHASA BETWEEN 15-30 NOVEMBER. HE REFERRED TO THE NEXT PARIS CLUB MEETING CALLED FOR IN ACCORD TO REVIEW DEVELOPMENTS IN ZAIRIAN STABILIZATION PROGRAM. HE CONFIRMED IT WOULD TAKE PLACE IN DECEMBER OR EARLY JANUARY AT LATEST. IN THAT CONNECTION HE SAID THAT IMF MISSION IS EXPECTED IN KINSHASA NEAR END OF NOVEMBER TO REVIEW DEVELOPMENTS. GOZ PLANS TO PRESENT TO MISSION ZAIRE'S 1977 BUDGET AND BALANCE OF PAYMENTS ESTIMATES.

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7. AMBASSADOR BOLEN REPLIED TO THESE REMARKS BY EMPHASIZING THAT USG REMAINS OPTIMISTIC ABOUT ZAIRE'S LONG-TERM PROSPECTS AND IS ENCOURAGED BY RECENT ZAIRIAN INITIATIVES TO IBRD, IMF, AND PRIVATE BANKS AND RESPONSES BY THOSE INSTITUTIONS. AMBASSADOR BOLEN REFERRED TO GOZ'S NOTE REQUESTING NEGOTIATIONS ON BILATERAL DEBT RESCHEDULING AND SAID THAT USG WAS PREPARING ITSELF TO OPEN TALKS IN LATE OCTOBER OR EARLY NOVEMBER. AMBASSADOR BOLEN EXPLAINED THAT USG HAD DROPPED RESERVATION ON 1976 INTEREST PAYMENTS AND STILL BELIEVED THAT DISCUSSION OF 1977 RESCHEDULING SHOULD AWAIT NEXT PARIS CLUB MEETING WHICH WILL PROVIDE OPPORTUNITY TO ASSESS DEVELOPMENTS, REVIEW GOZ PLANS. HE ALSO REFERRED TO POSSIBILITY OF IMF ASSISTANCE

WITH EXPANDED STABILIZATION AGREEMENT. COMMISSIONER BOFOSSA INDICATED HIS SATISFACTION AT THIS INFORMATION. BOLEN EMPHASIZED USG SUPPORT FOR GOZ PLANS AND INITIATIVES.

8. IN REPLY TO QUESTIONS, COMMISSIONER BOFOSSA PROVIDED

THE FOLLOWING INFORMATION. GOZ CONTINUING POLICY OF STRICT IMPORT RESTRICTIONS IN LIGHT OF LIMITED CAPACITY TO PAY, ALTHOUGH GOVERNMENT AWARE THAT CURRENT IMPORT LEVEL IS NOT RPT NOT SUFFICIENT TO MEET NEEDS OF THE ECONOMY. GOZ CAN ONLY ESTIMATE MINIMUM IMPORT LEVEL, BUT BOFOSSA FELT THAT AS ORDER OF MAGNITUDE MINIMUM LEVEL WAS BETWEEN 800 AND 1,000 MILLION DOLLARS, AND POSSIBLY AS HIGH AS 1,200 MILLION DOLLARS. GOZ WILL ATTEMPT DEFINE THIS MATTER FOR IMF MISSION EXPECTED NEXT MONTH. CURRENT LEVEL OF PRODUCTION IN ZAIRE VARIES BETWEEN 30 PERCENT AND 100 PERCENT AMONG VARIOUS SECTORS AND COMPANIES, DEPENDING ON ACCESS TO FOREIGN EXCHANGE. GOZ CONTINUES TO GIVE FOREIGN EXCHANGE PRIORITY TO EXPORT INDUSTRIES.

9. AMBASSADOR BOLEN CONCLUDED BY THANKING COMMISSIONER BOFOSSA FOR TAKING TIME TO COME TO WASHINGTON TO BRIEF USG, BY REITERATING USG SUPPORT FOR GOZ, AND BY ASKING IF CENTRAL BANK GOVERNOR SAMBWA COULD COME TO
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WASHINGTON AFTER CONCLUSION OF HIS NEW YORK MEETING.

10. COMMISSIONER BOFOSSA ASKED FOR CONFIRMATION OF HIS UNDERSTANDING OF USG POSITION ON BILATERAL DEBT RESCHEDULING NEGOTIATIONS (AS DESCRIBED ABOVE; CONFIRMATION GIVEN).

HE THEN CONCLUDED BY STATING THAT GOZ WAS COUNTING ON US ASSISTANCE AND EMPHASIZING THAT THE REAL GUARANTEE IN THIS SITUATION WAS ZAIRE'S LONG TERM DEVELOPMENT POTENTIAL AND THE GOZ'S DETERMINATION TO IMPROVE ECONOMIC MANAGEMENT. HE PROMISED TO RAISE WITH GOVERNOR SAMBWA POSSIBILITY OF SAMBWA'S COMING TO WASHINGTON LATER THIS WEEK. (FYI: WE HAVE JUST LEARNED FROM OTHER SOURCES THAT SAMBWA WILL NOT RPT NOT TRAVEL TO WASHINGTON, BUT WILL RETURN DIRECTLY TO KINSHASA). KISSINGER

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